

174809

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DAN F. ARNETT  
CHIEF OF STAFF

July 14, 2005

**VIA HAND DELIVERY**

Mr. Charles L.A. Terreni  
Chief Clerk/Administrator  
South Carolina Public Service Commission  
101 Executive Center Dr., Suite 100  
Columbia, SC 29210

RECEIVED

JUL 15 2005

PSC SC  
DOCKETING DEPT.

7/15/05  
toed

Re: Piedmont Natural Gas Company - Annual Review of Purchased Gas Adjustments  
(PGA) and Gas Purchasing Policies

**Docket No. 2005-4-G**

Dear Mr. Terreni:

Enclosed for filing please find sixteen (16) copies each of the Settlement Agreement and Joint Motion Requesting Approval of Settlement Agreement in the above-referenced matter. Please date stamp one copy and return it to me via our courier. As provided in the Settlement Agreement, faxed and emailed signatures are attached.

We have served same on all parties of record and enclose a Certificate of Service to that effect.

Please let me know if you have any questions.

Sincerely,

Benjamin P. Mustian

Enclosures

cc: James H. Jeffries, IV, Esquire  
Scott Elliott, Esquire  
David Carpenter  
Tom Skains

Service = OK

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2005-4-G**

IN RE:

Piedmont Natural Gas	)	
Company's Annual Review of	)	<b>SETTLEMENT AGREEMENT</b>
Purchased Gas Adjustment and	)	
Gas Purchasing Policies	)	

This Settlement Agreement is made by and among the Office of Regulatory Staff of South Carolina ("ORS"), South Carolina Energy Users Committee ("SCEUC"), and Piedmont Natural Gas Company, Inc. ("PNG") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, by South Carolina Public Service Commission ("Commission") Order No. 88-294, dated April 6, 1988, the Commission instituted an annual review of PNG's Purchased Gas Adjustment and Gas Purchasing Policies. Additionally, in Order No. 2002-223, dated March 26, 2002 in Docket No. 2001-410-G, the Commission required PNG to file regular reports on the status of the hedging program and the results of its hedging activities. In the above-captioned proceeding the review period is April 2004 through March 2005 ("Review Period");

WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have engaged in discussions, most recently on July 11, 2005, to determine if a settlement of this proceeding would be in their best interest;

WHEREAS, following those discussions the Parties have each determined that their interest and the public interest would be best served by settling the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony of PNG witnesses Keith P. Maust and Ann H. Boggs and the pre-filed rebuttal testimony of PNG witness Ann H. Boggs, without objection, change, amendment, or cross-examination.

2. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony of ORS witnesses Roy H. Barnette and Carey Flynt, without objection, change, amendment, or cross-examination.

3. The Parties further agree that with the stipulated testimony of record and with the adoption of the accounting adjustments proposed by Roy H. Barnette described herein, the hearing record then before the Commission will conclusively demonstrate the following: (i) PNG's gas purchasing policies and practices during the Review Period were reasonable and prudent, (ii) PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period, and (iii) PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders.

4. The Parties agree to adopt the following accounting adjustments set forth in the testimony of Roy H. Barnette for PNG's deferred cost gas account #253.04 so as to adjust the account balance shown in PNG witness Ann H. Boggs's testimony from an under-collection of (\$8,429,722) to the adjusted balance shown in ORS witness Roy H. Barnette's testimony of an under-collection of (\$8,331,349):

- a) an addition to PNG's under-collection of (\$4,814) to correct the therm sales used in the February 2004 calculation;
- b) a decrease to PNG's under-collection based on two interest adjustments derived from the Commission's Order No. 2005-43 issued in Docket No. 2004-4-G consisting of \$70,853 and \$7,540;
- c) a decrease to PNG's under-collection to record a proration adjustment of \$4,150 to reflect the proper sales Allocation Factor for the month of November 2003; and
- d) a decrease to PNG's under-collection to record an interest adjustment of \$20,644 based on the above-listed changes to Account #253.04.

5. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

6. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions held in future proceedings. If the Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without penalty.

7. This agreement shall be interpreted according to South Carolina law.

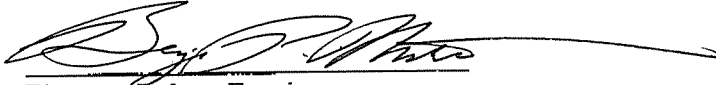
8. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the

execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

[SIGNATURE PAGES FOLLOW]

WE AGREE:

**Representing and binding the Office of Regulatory Staff**



Florence Belser, Esquire  
Benjamin P. Mustian, Esquire  
**Office of Regulatory Staff**  
1441 Main Street, Suite 300  
Columbia, SC 29201  
Phone: (803) 737-0853  
Fax: (803) 737-0800  
Email: [fbelser@regstaff.sc.gov](mailto:fbelser@regstaff.sc.gov)  
[bmustia@regstaff.sc.gov](mailto:bmustia@regstaff.sc.gov)

WE AGREE:

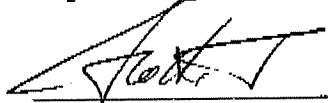
**Representing and binding Piedmont Natural Gas Company, Inc.**



James H. Jeffries, IV, Esquire  
Moore & Van Allen, PLLC  
100 North Tryon Street, Ste. 4700  
Charlotte, NC 28202  
Phone: 704-331-1079  
Fax: 704-339-5879  
Email: [jimjeffries@mvalaw.com](mailto:jimjeffries@mvalaw.com)

SCEUC has not independently reviewed (i) PNG's gas purchasing policies and practices, (ii) whether PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period and (iii) whether PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders. SCEUC's review of these matters is limited only to (i) PNG's responses to ORS's Information Data Requests, and (ii) the pre-filed direct testimony of PNG's and ORS's witnesses. Although SCEUC has not conducted an independent investigation into the prudence of PNG's gas purchasing policies and practices, SCEUC is aware that ORS has conducted such an investigation, and by executing this Settlement Agreement, SCEUC hereby supports the positions and conclusions of ORS as set forth in the pre-filed direct testimony of ORS witnesses Roy H. Barnette and Carey Flynt.

**Representing and binding South Carolina Energy Users Committee**



Scott Elliott, Esquire  
**Elliott & Elliott, P.A.**  
721 Olive Street  
Columbia, SC 29205  
Phone: (803) 771-0555  
Fax: (803) 771-8010  
Email: [selliott@elliottlaw.us](mailto:selliott@elliottlaw.us)

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2005-4-G**

FILED  
2005 JUN 14 PM 3:22  
SOUTH CAROLINA  
OFFICE OF THE CLERK

IN RE:

Piedmont Natural Gas )  
Company's Annual Review of )  
Purchased Gas Adjustment and )  
Gas Purchasing Policies )  
\_\_\_\_\_ )

**CERTIFICATE OF SERVICE**

This is to certify that I, Rena Grant, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **SETTLEMENT AGREEMENT AND JOINT MOTION REQUESTING APPROVAL OF SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

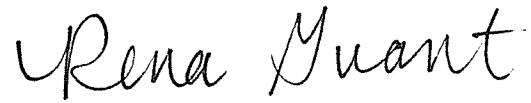
James H. Jeffries, IV  
**Moore & Van Allen, PLLC**  
100 North Tryon Street, Ste. 4700  
Charlotte, NC 28202

Scott Elliott, Esquire  
**Elliott & Elliott, P.A.**  
721 Olive Street  
Columbia, SC 29205

David Carpenter, Director of Rates  
**Piedmont Natural Gas Company, Inc.**  
Post Office Box 33068  
Charlotte, NC 28233



Tom Skains, President  
**Piedmont Natural Gas Company, Inc.**  
Post Office Box 33068  
Charlotte, NC 28233

A handwritten signature in cursive script that reads "Rena Grant". The signature is written in black ink and is positioned above a horizontal line.

---

Rena Grant

July 14, 2005  
Columbia, South Carolina